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ARIZONA CORPORATION COMMISSION

ORIGINAL

July 16, 2009

CERTIFIED MAIL

Mr. Jason Williamson
President
Coronado Utilities Inc.
6825 East Tennessee Avenue
Suite 207
Denver, Colorado 80224

Arizona Corporation Commission

DOCKETED

JUL 16 2009

DOCKETED BY	
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RE: CORONADO UTILITIES INC. - APPLICATION FOR A RATE INCREASE (DOCKET NO. SW-04305A-09-0291)

LETTER OF SUFFICIENCY

Dear Mr. Williamson:

This letter (per section R14-2-103 B.7 of the Arizona Administrative Code) is to inform you that your application, originally received on June 3, 2009, supplemented on July 8, 2009, has met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Your utility has been classified as a Class B Utility. Staff's testimony is due to be docketed on or about January 11, 2010, and the ultimate due date of the Commission Order finalizing the case will be due on or about March 10, 2010. A subsequent Procedural Order will better identify the dates for a hearing, filings etc.

The Staff person assigned to your application is Gary T. McMurry. He can be reached at (602) 542-2044, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

Elijah Abinah
Assistant Director/Acting Chief Accountant
Regulatory Analysis Section
Utilities Division

EOA:GTM:red

CC: Docket Control Center (fifteen copies)
Lyn Farmer, Hearing Division
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ARIZONA CORPORATION COMMISSION

Staff Data Request No. 1

Coronado Utilities Inc.

Docket No. SW-04305A-09-0291

- GTM-1.1** Please provide the minutes of all board meetings and attendees for calendar years 2006 - 2008.
- GTM-1.2** Please provide schedules that depict actual rate case expense to date and a break-out of the components cost used in the total (\$175,000) estimate.
- GTM-1.3** Please provide an electronic version of the rate application in excel with the formulas intact.
- GTM-1.4** Please provide an electronic version of the Company's general ledger for the test year and the prior two years.
- GTM-1.5** Please provide a chart of accounts schedule that will reconcile G/L accounts with the corresponding financial statement asset, liability, revenue, and expense categories.
- GTM-1.6** Please provide a narrative and schedule if necessary explaining the operational changes that occurred after the end of the test year that necessitated the adjustments to wages and payroll tax expense in adjustment no. 10 on schedule C-2 page 11.
- GTM-1.7** Please provide a narrative and schedule if necessary explaining what operational changes (Adjustment no. 11, schedule C-2 page 12) occurred after the end of the test year to cause the removal of certain operations contract services (\$97,747) and operator expenses (\$5,000). This narrative should also address why an operational contract services contract was added totaling \$30,000.
- GTM-1.8** Please provide a narrative and schedule if necessary of any other significant changes either during the test year or subsequent to the end of test year (see also GTM-1.6 & GTM- 1.7) that effected the Company's operations.
- GTM-1.9** Schedule B-1 shows unamortized finance charges totaling \$82,938. Please provide a narrative and schedule if necessary explaining the origin of these charges and how it was calculated.
- GTM-1.10** Miscellaneous expense on schedule C-1 for the test year is \$37,081. Please provide a schedule identifying each invoice included in these charges and provide copies of all invoices greater than \$200 for the test year.
- GTM-1.11** There are three Contractual Services accounts on schedule C-1 as shown below:
- | | |
|--------------------------------|-----------|
| Contractual Services | \$177,286 |
| Contractual Services – Testing | \$3,676 |
| Contractual Services – Other | \$114,088 |

Please provide a copy of all contracts underlying these payments and a brief narrative explaining the purpose of these agreements. Please provide a schedule of all payments made for the Contractual Services as well as Contractual Services-Other during the test year and copies of all invoices greater than \$200 for the test year.

- GTM-1.12** Please provide copies of all leases and other contracts that obligated the Company to incur a liability or make payments during the test year.
- GTM-1.13** Please provide a narrative and a schedule listing all payments made in the test year explaining the BHP revenue subsidization discussed in operating adjustment no. 4 of the application. Please provide any written agreement formalizing this subsidization program.
- GTM-1.14** Please provide an organizational chart listing all of the Company principal officer's and executive management.
- GTM-1.15** Please provide a copy of the prospectus for the preferred stock offering and/or Preferred Stock Agreement showing the terms under which the preferred stock was issued (e.g. rate, non-cumulative status, participating, etc.) which was authorized by ACC Decision No. 68752.
- GTM-1.16** Please explain how the depreciation rate for account no. 398 "other tangible plant" was determined.
- GTM-1.17** Please provide a schedule showing the number of customers for each meter size for each of the twelve months directly preceding the test year, i.e., for the period January 2007 through December 2007. Please provide the same information for the six months subsequent to the test year i.e., for the period January 2009 through June 2009.
- GTM-1.18** Please provide a schedule and copies of invoices for the test year purchased power recorded expense as shown on schedule C-1 of \$53,814.
- GTM-1.19** Please provide a salary schedule for the test year ending 12/31/08 for all employees to include job title, work performed for the utility, hours worked in the test year, and if any such employee or employees are working for a related entity but paid by the water company. This schedule should reconcile to the adjusted salaries and wage total on Schedule C-1 of \$52,500. If such employees work for another related employer, please provide an allocation schedule for each individual showing hours worked for each entity, salary paid from each entity and the allocation policy utilized.
- GTM-1.20** Please provide a schedule of Contributions in aid of Construction (CIAC) as shown on schedule B-1 that reconciles to the G/L as of test year end (\$603,201) and that shows the name of each contributor, amount, date, and purpose of each contribution.

- GTM-1.21** Please provide a schedule of Customer Deposits as shown on schedule B-1 that reconciles to the G/L as of the test year end (\$19,809) and that shows the name of the customer, the date received, and the amount deposited by the customer as security for the payment of utility bills.
- GTM-1.22** Please provide a schedule of the components of the deferred income taxes calculation for the Company as of test year end (\$37,425).
- GTM-1.23** Schedule C-2 page 2 shows depreciation rates for Pumping Equipment and Outfall Sewer lines of 12.5% and 3.33%, respectively. According to the Staff report dated May 27, 2005, the Staff recommended rates were 10.0% and 4.0%, respectively. Please provide a narrative explaining why a non-Staff recommended depreciation rate was adopted by the Company.
- GTM-1.24** Please provide a narrative that will support the proposed service call tariff of \$40.00 as shown on H-3 page 2.
- GTM-1.25** Application includes a proposed tariff on page six for deposit interest of 3.5%. Per Arizona Administrative Code Rule R14-2-603 B (3) deposit interest typically would be 6 percent. Please provide justification for the lower interest charge.
- DMH-1.26** What is the Company's typical cost for installation of 4-inch sewer lateral?
- DMH-1.27** Please complete pages 11 and 12 of the application regarding existing plant description.
- DMH-1.28** In Mr. Williamson's Direct Testimony, he stated that the Company owns **two** lift stations, but the existing plant description states **three** lift stations (referencing to Page 12 of the application). It appears that the Company installed the effluent reuse lift station in 2007. To comply with ADEQ's APP requirements, Staff assumes that the Company should install an effluent flow meter (Acct #367). However, the Schedule B-2 of plant addition/deletion table does not reflect this. Please explain why there is no addition for an effluent flow meter.
- DMH-1.29** According to the existing plant description on Page 12 of the application, all mains were made of "clay" pipes. Further, in Mr. Williamson's Direct Testimony, he stated that the Company pumped the effluent approximately 3 miles to the golf course for irrigation purpose. According to Schedule B-2 of plant addition/deletion table, the Company paid approximately a half million dollars for sewer lines in 2006 and 2007. Please provide a narrative and schedule as necessary to explain why the Company used clay pipe for "new" construction, given that clay pipe is fragile and has high leakage. If the use of clay to describe these mains is a mistake, please provide an amended Schedule.
- DMH-1.30** From 2005 (new CC&N became effective) to 2008, it does not appear that the Company needs additional land for plant development. However, Schedule B-2 of plant addition/deletion table showed that the Company purchased \$249,999 (in 2006)

and \$75,001 (in 2008). Please provide a narrative providing justification for each of the additional land purchases. Please also provide supporting documentation (i.e. closing statement, purchase agreement, promissory note, deed of trust, appraisal, etc.) for each purchase.

- DMH-1.31** According to Mr. Williamson, the Company paid approximately \$8.5/gallon to install the existing 350,000 gallon per day ("GPD") wastewater treatment plant ("WWTP"). Staff calculated the installation cost of 350,000 GPD WWTP was 2,975,000 dollars (\$8.50 * 350,000). However, according to Schedule B-2 of plant addition/deletion table, the Company paid \$3,243,375 dollars. Please provide a schedule and narrative as necessary to reconcile the apparent \$268,375 discrepancy.
- GTM-1.32** Please provide the dollar amount of bad debts written off in the calendar years 2006, 2007 and 2008 as well as the January through June 2009.
- GTM-1.33** Please provide a copy of the Company's policies and procedures as they relate to invoice collection and bad debt write-offs.
- GTM-1.34** Please provide audited financial statements for Pivotal Management for 2006 – 2008, the company which provides contractual services to the utility (e.g. Bourassa operating adjustment no. 9).
- GTM-1.35** Please provide a copy of the company's policies and procedures relating to the elimination of affiliate profit. Also please provide a copy of the Company's policies with respect to any transactions (such as loans, leases, etc.) involving affiliated parties.
- GTM-1.36** Please provide supporting documentation for the calculation of affiliated profit percentage (23.39%) as shown of Schedule C-2 page 10.
- GTM-1.37** Please identify all affiliated transactions that have occurred between the Company and affiliated parties in the calendar years 2006, 2007 and 2008 as well as the January through June 2009.